

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Express Mail & Priority Mail
Express Mail & Priority Mail Contract 11

Docket No. MC2013-1

Competitive Product Prices
Express Mail & Priority Mail Contract 11
(MC2013-1)
Negotiated Service Agreement

Docket No. CP2013-1

PUBLIC REPRESENTATIVE COMMENTS

(October 18, 2012)

Introduction

In response to Order 1492,¹ the Public Representative hereby comments on the October 10, 2012 United States Postal Service Request to Add Express Mail & Priority Mail Contract 11 to the Competitive Product List (Request).

The Public Representative has accessed and reviewed all public and nonpublic materials submitted by the United States Postal Service. Because this NSA employs the same underlying Governors' Decision 11-6 costing formula, the analysis is virtually the same. Although, the Postal Service's filing shows that the contract is expected to meet the pertinent elements of 39 U.S.C. 3633(a), the Public Representative has one issue that is discussed below.

¹ Commission Order 1492, Notice and Order Concerning Addition of Express Mail & Priority Mail Contract 11 to the Competitive Product List, October 11, 2012 (Order No. 1492).

Discussion

Potential for Reduced Cost Coverage. In Governors' Decision No. 11-6, the Postal Service establishes a minimum cost coverages for contracts. The Postal Service's supporting worksheets indicate that the instant contract's cost coverage is expected to exceed the minimum cost coverage. However, the financial workpapers do not address contract term I.F., which provides a negotiated price for an Ancillary Service. The supporting workpapers do not include the expected number of contract pieces that will use this Ancillary Service, or the unit cost of the Ancillary Service. Therefore, it is unclear of what impact the negotiated price for the Ancillary Service will have on the overall contract. Because of this, the Public Representative is unable to determine if the contract will meet the requirements of 39 U.S.C. 3633(a).

Conclusion

It is unclear if this NSA will comport with each of the requirements of 39 CFR 3015.7(c) -- which amplifies 39 U.S.C. 3633(a). For a competitive products pricing schedule not of general applicability,² the Postal Service must demonstrate that the contract will be in compliance with 39 U.S.C. 3633(a): It will not allow market dominant products to subsidize competitive products, it will ensure that each competitive product covers its attributable costs; and it will enable competitive products as a whole to cover their costs (contributing a minimum of 5.5 percent to the Postal Service's total institutional costs).

The Public Representative recommends that the Postal Service supplement its filing with the volume and unit cost of Ancillary Service contract pieces to ensure that the contract will meet the requirements of 39 U.S.C. 3633(a).

² See 39 CFR 3015.5.

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MC2013-1 and CP2013-1

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